

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Gobles	County Van Buren
Fiscal Year End June 30, 2006	Opinion Date December 15, 2006	Date Audit Report Submitted to State April 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE  
Y


O  
Z

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other items are required.	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724

*City of Gobles*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2006*

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## INDEPENDENT AUDITORS' REPORT

City Commission  
City of Gobles, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Gobles, Michigan, as of June 30, 2006, and for the year then ended, which collectively comprise the City of Gobles, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the City of Gobles, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Gobles, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 21 through 24, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Gobles, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gobles, Michigan's basic financial statements. The accompanying supplementary data is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

*Siegfried Crandall P.C.*

December 15, 2006

## **BASIC FINANCIAL STATEMENTS**

**City of Gobles**  
**STATEMENT OF NET ASSETS**  
*June 30, 2006*

	<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 327,024	\$ 73,134	\$ 400,158
Receivables	69,659	39,917	109,576
Inventory	-	1,000	1,000
Internal balances	<u>27,695</u>	<u>(27,695)</u>	<u>-</u>
Total current assets	424,378	86,356	510,734
Noncurrent assets - capital assets, net of depreciation	<u>241,890</u>	<u>1,350,650</u>	<u>1,592,540</u>
Total assets	<u>666,268</u>	<u>1,437,006</u>	<u>2,103,274</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	28,688	4,540	33,228
Bonds payable	<u>-</u>	<u>14,000</u>	<u>14,000</u>
Total current liabilities	28,688	18,540	47,228
Noncurrent liabilities - bonds payable	<u>-</u>	<u>1,268,000</u>	<u>1,268,000</u>
Total liabilities	<u>28,688</u>	<u>1,286,540</u>	<u>1,315,228</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	241,890	68,650	310,540
Restricted for street repairs and improvements	119,357	-	119,357
Unrestricted	<u>276,333</u>	<u>81,816</u>	<u>358,149</u>
Total net assets	<u>\$ 637,580</u>	<u>\$ 150,466</u>	<u>\$ 788,046</u>

See notes to the financial statements

**City of Gobles**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2006

<b>Functions/Programs</b>	<b><u>Expenses</u></b>	<b><u>Program revenues</u></b>	
		<b><u>Charges for services</u></b>	<b><u>Operating grants and contributions</u></b>
Governmental activities:			
Legislative	\$ 1,480	\$ -	\$ -
General government	149,480	-	-
Public safety	92,379	8,492	-
Public works	102,563	-	75,042
Community and economic development	11,934	-	-
Culture and recreation	<u>20,229</u>	<u>-</u>	<u>-</u>
Total governmental activities	378,065	8,492	75,042
Business-type activities:			
Water	<u>158,275</u>	<u>123,049</u>	<u>-</u>
Totals	<u>\$ 536,340</u>	<u>\$ 131,541</u>	<u>\$ 75,042</u>

General revenues:  
Property taxes  
State shared revenue  
Unrestricted interest income  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

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**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (1,480)		\$ (1,480)
(149,480)		(149,480)
(83,887)		(83,887)
(27,521)		(27,521)
(11,934)		(11,934)
<u>(20,229)</u>		<u>(20,229)</u>
 <u>(294,531)</u>		 <u>(294,531)</u>
	\$ <u>(35,226)</u>	<u>(35,226)</u>
 <u>(294,531)</u>	 <u>(35,226)</u>	 <u>(329,757)</u>
 210,260	 -	 210,260
104,824	-	104,824
1,907	385	2,292
<u>5,339</u>	<u>-</u>	<u>5,339</u>
 <u>322,330</u>	 <u>385</u>	 <u>322,715</u>
 27,799	 (34,841)	 (7,042)
<u>609,781</u>	<u>185,307</u>	<u>795,088</u>
 <u>\$ 637,580</u>	 <u>\$ 150,466</u>	 <u>\$ 788,046</u>

See notes to the financial statements



**City of Gobles**  
**BALANCE SHEET - governmental funds**  
June 30, 2006

	<b>Major funds</b>			<b>Total</b>
	<b>General</b>	<b>Major Street</b>	<b>Local Street</b>	<b>governmental funds</b>
<b>ASSETS</b>				
Cash	\$ 151,666	\$ 77,288	\$ 30,676	\$ 259,630
Receivables	36,082	26,141	7,436	69,659
Due from other funds	33,199	860	-	34,059
Total assets	<u>\$ 220,947</u>	<u>\$ 104,289</u>	<u>\$ 38,112</u>	<u>\$ 363,348</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 20,387	\$ 4,525	\$ 3,775	\$ 28,687
Due to other funds	16,541	10,162	4,582	31,285
Total liabilities	36,928	14,687	8,357	59,972
Fund balances - unreserved, undesignated	<u>184,019</u>	<u>89,602</u>	<u>29,755</u>	<u>303,376</u>
Total liabilities and fund balances	<u>\$ 220,947</u>	<u>\$ 104,289</u>	<u>\$ 38,112</u>	<u>\$ 363,348</u>
Total fund balances - all governmental funds				\$ 303,376
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				153,354
The internal service fund is used by management to charge the costs of equipment management to individual funds. The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net assets.				<u>180,850</u>
Net assets of <i>governmental activities</i>				<u>\$ 637,580</u>

See notes to the financial statements

**City of Gobles****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds***Year ended June 30, 2006*

	<b>Major funds</b>			<b>Total governmental funds</b>
	<b>General</b>	<b>Major Street</b>	<b>Local Street</b>	
<b>REVENUES</b>				
Property taxes	\$ 210,260	\$ -	\$ -	\$ 210,260
Licenses and permits	8,492	-	-	8,492
State grants	104,824	51,486	14,646	170,956
Contribution from local unit	-	8,910	-	8,910
Interest	559	444	160	1,163
Other	6,839	-	-	6,839
Total revenues	<u>330,974</u>	<u>60,840</u>	<u>14,806</u>	<u>406,620</u>
<b>EXPENDITURES</b>				
Legislative	1,480	-	-	1,480
General government	144,732	-	-	144,732
Public safety	92,379	-	-	92,379
Public works	58,697	28,463	9,491	96,651
Culture and recreation	20,229	-	-	20,229
Community and economic development	11,934	-	-	11,934
Total expenditures	<u>329,451</u>	<u>28,463</u>	<u>9,491</u>	<u>367,405</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,523	32,377	5,315	39,215
<b>FUND BALANCES - BEGINNING</b>	<u>182,496</u>	<u>57,225</u>	<u>24,440</u>	<u>264,161</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 184,019</u>	<u>\$ 89,602</u>	<u>\$ 29,755</u>	<u>\$ 303,376</u>

*See notes to the financial statements*

**City of Gobles**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended June 30, 2006*

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Net change in fund balances - total governmental funds	\$ 39,215
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Amounts reported for *governmental activities* in the statement of activities  
(page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the costs of those assets are allocated over their  
estimated useful lives as depreciation expense.

Deduct: Provision for depreciation	(10,660)
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Reduction in deferred revenue	(1,500)
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The net revenues of the internal service fund are reported with  
governmental activities.

744
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Change in net assets of governmental activities	<u>\$ 27,799</u>
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*See notes to the financial statements*

**City of Gobles**  
**STATEMENT OF NET ASSETS - proprietary funds**  
June 30, 2006

	<b><u>Business-type activities</u></b>	<b><u>Governmental activities</u></b>
	<b><u>Enterprise</u></b>	<b><u>Internal</u></b>
	<b><u>Water</u></b>	<b><u>service</u></b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 73,134	\$ 67,394
Receivables, net	39,917	-
Inventory	1,000	-
Due from other funds	-	32,400
Total current assets	114,051	99,794
Noncurrent assets - capital assets, net of depreciation	1,350,650	88,536
Total assets	1,464,701	188,330
<b>LIABILITIES</b>		
Current liabilities:		
Payables	4,540	1
Due to other funds	27,695	7,479
Bonds payable	14,000	-
Total current liabilities	46,235	7,480
Noncurrent liabilities - bonds payable	1,268,000	-
Total liabilities	1,314,235	7,480
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	68,650	88,536
Unrestricted	81,816	92,314
Total net assets	\$ 150,466	\$ 180,850

See notes to the financial statements

**City of Gobles****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET****ASSETS - proprietary funds**

Year ended June 30, 2006

	<b><u>Business-type activities</u></b>	<b><u>Governmental activities</u></b>
	<b><u>Enterprise</u></b>	<b><u>Internal</u></b>
	<b><u>Water</u></b>	<b><u>service</u></b>
<b>OPERATING REVENUES</b>		
Charges for services:		
Water sales	\$ 111,049	\$ -
Equipment rentals	-	32,400
Other	12,000	-
	<u>123,049</u>	<u>32,400</u>
Total operating revenues		
	<u>123,049</u>	<u>32,400</u>
<b>OPERATING EXPENSES</b>		
Personal services	23,478	5,447
Contractual services	2,196	535
Supplies	574	2,817
Insurance	720	2,033
Utilities	8,519	5,077
Repair and maintenance	6,283	1,494
Equipment rental	3,775	-
Miscellaneous	371	270
Depreciation	57,382	14,363
	<u>103,298</u>	<u>32,036</u>
Total operating expenses		
	<u>103,298</u>	<u>32,036</u>
<b>OPERATING INCOME</b>	<u>19,751</u>	<u>364</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	385	380
Interest expense	(54,977)	-
	<u>(54,592)</u>	<u>380</u>
Total nonoperating revenues (expenses)		
	<u>(54,592)</u>	<u>380</u>
<b>CHANGE IN NET ASSETS</b>	<u>(34,841)</u>	<u>744</u>
<b>NET ASSETS - BEGINNING</b>	<u>185,307</u>	<u>180,106</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 150,466</u>	<u>\$ 180,850</u>

See notes to the financial statements

**City of Gobles**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2006

	<u><b>Business-type activities</b></u>	<u><b>Governmental activities</b></u>
	<u><b>Enterprise</b></u>	<u><b>Internal</b></u>
	<u><b>Water</b></u>	<u><b>service</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 121,917	\$ -
Receipts from interfund services provided	-	32,400
Payments to suppliers	(20,295)	(12,607)
Payments to employees	(21,846)	(5,066)
Payments for interfund services used	(3,775)	-
	<u>76,001</u>	<u>14,727</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Increase in due from other funds	-	7,174
Decrease in due to other funds	(3,137)	(2,245)
	<u>(3,137)</u>	<u>4,929</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	-	(46,034)
Principal payments on capital debt	(13,000)	-
Interest payments on capital debt	(55,038)	-
	<u>(68,038)</u>	<u>(46,034)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>385</u>	<u>380</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	5,211	(25,998)
<b>CASH - BEGINNING</b>	<u>67,923</u>	<u>93,392</u>
<b>CASH - ENDING</b>	<u>\$ 73,134</u>	<u>\$ 67,394</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 19,751	\$ 364
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	57,382	14,363
Increase in receivables	(1,132)	-
	<u>76,001</u>	<u>14,727</u>
Net cash provided by operating activities	<u>\$ 76,001</u>	<u>\$ 14,727</u>

See notes to the financial statements

***City of Gobles***

**STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund***

***June 30, 2006***

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**ASSETS**

Cash	<u>\$ 8,583</u>
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**LIABILITIES**

Due to other governmental units	<u>\$ 8,583</u>
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*See notes to the financial statements*

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Gobles, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the City. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the City exercises oversight responsibility.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's local streets.

The City reports the following major proprietary fund:

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for equipment management services provided to other departments of the City on a cost-reimbursement basis and the Agency Fund, a fiduciary fund, which accounts for financial assets held for other units of government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund is charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity:**

*i) Bank deposits* - Cash is considered to be cash on hand and demand deposits.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	5 years
Water systems	10 - 40 years

*iv) Compensated absences* - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of July 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general fund and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth the significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Assessor	\$ 9,075	\$ 10,076	\$ (1,001)
	Public safety	Police protection	64,300	66,727	(2,427)
		Inspections	1,200	2,549	(1,349)
		Public works	28,565	52,207	(23,642)
	Culture and recreation	Parks and recreation	19,200	20,229	(1,029)
	Community and economic development				
		Planning	-	11,934	(11,934)

**NOTE 3 - CASH:**

The City's deposits were reported in the basic financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Petty cash	\$ 50	\$ -	\$ -	\$ 50
Deposits	<u>326,974</u>	<u>73,134</u>	<u>8,583</u>	<u>408,691</u>
Totals	<u>\$ 327,024</u>	<u>\$ 73,134</u>	<u>\$ 8,583</u>	<u>\$ 408,741</u>

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At June 30, 2006, \$372,562 of the City's bank balances of \$472,562 was exposed to custodial credit risk because it was uninsured. The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At June 30, 2006, the receivables of the City's funds are as follows:

	<u>General</u>	<u>Major</u>	<u>Local</u>	<u>Water</u>	<u>Totals</u>
Accounts	\$ -	\$ -	\$ -	\$ 39,917	\$ 39,917
Intergovernmental	33,531	26,141	7,436	-	67,108
Property taxes	<u>2,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,551</u>
Totals	<u>\$ 36,082</u>	<u>\$ 26,141</u>	<u>\$ 7,436</u>	<u>\$ 39,917</u>	<u>\$ 109,576</u>

All receivables are due within one year and are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 8,000	\$ -	\$ -	\$ 8,000
Capital assets being depreciated:				
Buildings	60,008	-	-	60,008
Equipment	147,380	-	-	147,380
Vehicles	12,735	46,035	-	58,770
Street infrastructure	<u>118,247</u>	<u>-</u>	<u>-</u>	<u>118,247</u>
Subtotal	<u>338,370</u>	<u>46,035</u>	<u>-</u>	<u>384,405</u>
Less accumulated depreciation for:				
Buildings	(24,285)	(2,114)	-	(26,399)
Equipment	(82,559)	(11,626)	-	(94,185)
Vehicles	(12,735)	(5,371)	-	(18,106)
Street infrastructure	<u>(5,912)</u>	<u>(5,913)</u>	<u>-</u>	<u>(11,825)</u>
Subtotal	<u>(125,491)</u>	<u>(25,024)</u>	<u>-</u>	<u>(150,515)</u>
Total capital assets being depreciated, net	<u>212,879</u>	<u>21,011</u>	<u>-</u>	<u>233,890</u>
Governmental activities capital assets, net	<u>\$ 220,879</u>	<u>\$ 21,011</u>	<u>\$ -</u>	<u>\$ 241,890</u>

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 2,500	\$ -	\$ -	\$ 2,500
Capital assets being depreciated - water system	1,948,762	-	-	1,948,762
Less accumulated depreciation for - water system	<u>(543,230)</u>	<u>(57,382)</u>	<u>-</u>	<u>(600,612)</u>
Total capital assets being depreciated, net	<u>1,405,532</u>	<u>(57,382)</u>	<u>-</u>	<u>1,348,150</u>
Business-type activities capital assets, net	<u>\$ 1,408,032</u>	<u>\$ (57,382)</u>	<u>\$ -</u>	<u>\$ 1,350,650</u>

**Depreciation expense was charged to functions as follows:**

Governmental activities:	
General government	\$ 4,748
Public works	5,912
Depreciation on capital assets held by internal service funds	<u>14,364</u>
Total governmental activities	<u>\$ 25,024</u>

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES:**

At June 30, 2006, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General	\$ 33,199	Water	\$ 23,920
		Local Streets	1,800
		Motor Pool Fund	<u>7,479</u>
			<u>33,199</u>
Major Streets	<u>860</u>	General	<u>860</u>
Motor Pool Fund	<u>32,400</u>	Major Streets	10,162
		Local Streets	2,782
		Water	3,775
		General	<u>15,681</u>
			<u>32,400</u>
Total	<u>\$ 66,459</u>	Total	<u>\$ 66,459</u>

The payables to the General Fund represent amounts due for employee compensation and the payables to the Motor Pool Fund represent amounts due for equipment rentals.

**NOTE 7 - NONCURRENT LIABILITIES:**

At June 30, 2006, noncurrent liabilities are comprised of the following:

\$1,320,000 2003 USDA Water revenue bonds, due in annual installments ranging from \$12,000 to \$64,000, plus interest through June 2042. The bonds are secured by the City's full faith and credit.

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activity:					
2003 USDA Water Bonds	<u>\$ 1,295,000</u>	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ 1,282,000</u>	<u>\$ 14,000</u>

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - NONCURRENT LIABILITIES (Continued):**

At June 30, 2006, debt service requirements were as follows:

	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
Year ended June 30:		
2007	\$ 14,000	\$ 54,486
2008	15,000	53,890
2009	15,000	53,252
2010	16,000	52,616
2011	17,000	51,936
2012 - 2016	95,000	248,414
2017 - 2021	120,000	226,100
2022 - 2026	148,000	198,350
2027 - 2031	187,000	163,754
2032 - 2036	231,000	120,488
2037 - 2041	289,000	66,600
2042 - 2043	<u>135,000</u>	<u>8,670</u>
Totals	<u>\$ 1,282,000</u>	<u>\$ 1,298,556</u>

**NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:**

On January 10, 1994, the City adopted a defined contribution plan, specifically referred to as the City of Gobles Deferred Compensation Savings Plan (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statutes assign the authority to establish and amend benefit provisions to the City Commission. All full-time employees are eligible to participate. Employees may elect to defer the lesser of 100% of taxable compensation or a dollar amount limitation in accordance with the Internal Revenue Code. The City will match 50% of the employees' contributions, to a maximum of \$400. City contributions on behalf of a participant for a plan year shall not exceed \$400 or 10% of earnings, whichever is less.

The City's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. The City is not a trustee of the Plan, nor is the City responsible for investment management of plan assets.

During the year ended June 30, 2006, the City and its employees made contributions of \$1,200 and \$2,880, respectively.

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - JOINT FIRE PROTECTION AGREEMENT:**

In 1985, the City entered into an agreement with the Township of Pine Grove (the Township) to provide joint fire protection to the area. Under the agreement, a Governing Board (the Board), comprised of two members each from the Township and the City and one independent member, shall maintain the records and be responsible for the joint venture. The Board derives its revenues from taxes levied by the City and the Township and fire protection contracts with other local governmental units. Upon dissolution, the property each municipality has conveyed to the Board shall be returned to the party which had contributed it, and the property acquired by the Board would be distributed to the parties in direct proportion to the amounts each had contributed to the funds from which the property was acquired. During the year ended June 30, 2006, the City contributed \$20,320 for its share of the general operating expenditures. Audited financial statements can be obtained from the Clerk of the Township.

**NOTE 10 - RISK MANAGEMENT:**

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$1,000,000, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2006, were as follows:

Revenues	\$ 1,584
Expenses	<u>(2,549)</u>
Deficiency of revenues over expenses	<u>\$ (965)</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Gobles****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 215,110	\$ 210,376	\$ 210,260	\$ (116)
Licenses and permits	3,800	3,800	8,492	4,692
State grants	108,000	108,000	104,824	(3,176)
Interest	700	700	559	(141)
Other	<u>3,500</u>	<u>3,500</u>	<u>6,839</u>	<u>3,339</u>
Total revenues	<u>331,110</u>	<u>326,376</u>	<u>330,974</u>	<u>4,598</u>
<b>EXPENDITURES</b>				
Legislative - City Commission	<u>6,500</u>	<u>6,500</u>	<u>1,480</u>	<u>5,020</u>
General government:				
Elections	1,750	1,750	2,194	(444)
Assessor	9,075	9,075	10,076	(1,001)
Board of review	500	500	300	200
Building and grounds	41,435	41,435	27,391	14,044
Cemetery	1,000	1,000	1,000	-
Administration	<u>125,615</u>	<u>125,451</u>	<u>103,771</u>	<u>21,680</u>
Total general government	<u>179,375</u>	<u>179,211</u>	<u>144,732</u>	<u>34,479</u>
Public safety:				
Police protection	64,300	64,300	66,727	(2,427)
Fire protection	20,700	20,700	20,320	380
Inspections	1,200	1,200	2,549	(1,349)
Crossing guard	<u>5,500</u>	<u>5,500</u>	<u>2,783</u>	<u>2,717</u>
Total public safety	<u>91,700</u>	<u>91,700</u>	<u>92,379</u>	<u>(679)</u>
Public works:				
Department of Public Works	28,565	28,565	52,207	(23,642)
Street lighting	<u>7,200</u>	<u>7,200</u>	<u>6,490</u>	<u>710</u>
Total public works	<u>35,765</u>	<u>35,765</u>	<u>58,697</u>	<u>(22,932)</u>

**City of Gobles****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2006

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Culture and recreation - parks and recreation	\$ 19,200	\$ 19,200	\$ 20,229	\$ (1,029)
Community and economic development - planning	-	-	11,934	(11,934)
Capital outlay	5,570	1,000	-	1,000
Total expenditures	338,110	333,376	329,451	3,925
<b>NET CHANGE IN FUND BALANCES</b>	(7,000)	(7,000)	1,523	8,523
<b>FUND BALANCES - BEGINNING</b>	182,496	182,496	182,496	-
<b>FUND BALANCES - ENDING</b>	\$ 175,496	\$ 175,496	\$ 184,019	\$ 8,523

**City of Gobles****BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2006

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 54,000	\$ 54,000	\$ 51,486	\$ (2,514)
Contribution from Van Buren County	-	-	8,910	8,910
Interest income	<u>380</u>	<u>380</u>	<u>444</u>	<u>64</u>
Total revenues	<u>54,380</u>	<u>54,380</u>	<u>60,840</u>	<u>6,460</u>
<b>EXPENDITURES</b>				
Public works:				
Construction	12,630	12,630	-	12,630
Preservation	20,000	20,000	13,730	6,270
Traffic services	9,900	9,900	9,700	200
Winter maintenance	10,500	10,500	4,633	5,867
Administration	<u>-</u>	<u>-</u>	<u>400</u>	<u>(400)</u>
Total expenditures	<u>53,030</u>	<u>53,030</u>	<u>28,463</u>	<u>24,567</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,350	1,350	32,377	31,027
<b>OTHER FINANCING USES</b>				
Transfer out	<u>(1,350)</u>	<u>(1,350)</u>	<u>-</u>	<u>1,350</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	32,377	32,377
<b>FUND BALANCES - BEGINNING</b>	<u>57,225</u>	<u>57,225</u>	<u>57,225</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 57,225</u>	<u>\$ 57,225</u>	<u>\$ 89,602</u>	<u>\$ 32,377</u>

**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 15,500	\$ 15,500	\$ 14,646	\$ (854)
Interest income	<u>250</u>	<u>250</u>	<u>160</u>	<u>(90)</u>
Total revenues	<u>15,750</u>	<u>15,750</u>	<u>14,806</u>	<u>(944)</u>
<b>EXPENDITURES</b>				
Public works:				
Preservation	9,500	9,500	2,979	6,521
Traffic services	3,300	3,300	4,099	(799)
Winter maintenance	4,300	4,300	1,891	2,409
Administration	<u>-</u>	<u>-</u>	<u>522</u>	<u>(522)</u>
Total expenditures	<u>17,100</u>	<u>17,100</u>	<u>9,491</u>	<u>7,609</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,350)	(1,350)	5,315	6,665
<b>OTHER FINANCING SOURCES</b>				
Transfer in	<u>1,350</u>	<u>1,350</u>	<u>-</u>	<u>(1,350)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	5,315	5,315
<b>FUND BALANCES - BEGINNING</b>	<u>24,440</u>	<u>24,440</u>	<u>24,440</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 24,440</u>	<u>\$ 24,440</u>	<u>\$ 29,755</u>	<u>\$ 5,315</u>

## **SUPPLEMENTARY DATA**

**City of Gobles**

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$1,320,000 2003 USDA WATER REVENUE BONDS**

June 30, 2006

<b><u>Fiscal period</u></b>	<b><u>Interest requirements</u></b>		<b><u>Maturity date</u></b>	<b><u>Principal</u></b>	<b><u>Total requirements</u></b>
	<b><u>December 1</u></b>	<b><u>June 1</u></b>			
2007	\$ 27,243	\$ 27,243	6/01/07	\$ 14,000	\$ 68,486
2008	26,945	26,945	6/01/08	15,000	68,890
2009	26,626	26,626	6/01/09	15,000	68,252
2010	26,308	26,308	6/01/10	16,000	68,616
2011	25,968	25,968	6/01/11	17,000	68,936
2012	25,606	25,606	6/01/12	17,000	68,212
2013	25,245	25,245	6/01/13	18,000	68,490
2014	24,863	24,863	6/01/14	19,000	68,726
2015	24,459	24,459	6/01/15	20,000	68,918
2016	24,034	24,034	6/01/16	21,000	69,068
2017	23,588	23,588	6/01/17	22,000	69,176
2018	23,120	23,120	6/01/18	23,000	69,240
2019	22,631	22,631	6/01/19	24,000	69,262
2020	22,121	22,121	6/01/20	25,000	69,242
2021	21,590	21,590	6/01/21	26,000	69,180
2022	21,038	21,038	6/01/22	27,000	69,076
2023	20,464	20,464	6/01/23	28,000	68,928
2024	19,869	19,869	6/01/24	30,000	69,738
2025	19,231	19,231	6/01/25	31,000	69,462
2026	18,573	18,573	6/01/26	32,000	69,146
2027	17,893	17,893	6/01/27	34,000	69,786
2028	17,170	17,170	6/01/28	36,000	70,340
2029	16,405	16,405	6/01/29	37,000	69,810
2030	15,619	15,619	6/01/30	39,000	70,238
2031	14,790	14,790	6/01/31	41,000	70,580
2032	13,919	13,919	6/01/32	42,000	69,838
2033	13,026	13,026	6/01/33	44,000	70,052
2034	12,091	12,091	6/01/34	46,000	70,182
2035	11,114	11,114	6/01/35	48,000	70,228
2036	10,094	10,094	6/01/36	51,000	71,188
2037	9,010	9,010	6/01/37	53,000	71,020
2038	7,884	7,884	6/01/38	55,000	70,768
2039	6,715	6,715	6/01/39	58,000	71,430
2040	5,483	5,483	6/01/40	60,000	70,966
2041	4,208	4,208	6/01/41	63,000	71,416
2042	2,869	2,869	6/01/42	66,000	71,738
2043	1,466	1,466	6/01/43	69,000	71,932
	<u>\$ 649,278</u>	<u>\$ 649,278</u>		<u>\$ 1,282,000</u>	<u>\$ 2,580,556</u>

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

City Commission  
City of Gobles, Michigan

In planning and performing our audit of the financial statements of the City of Gobles for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. These matters are set forth in the accompanying schedule of comments and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions that are also considered to be material weaknesses, as defined above.

*Siegfried Crandall P.C.*

December 15, 2006



**City of Gobles**  
**COMMENTS AND RECOMMENDATIONS**

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**Timely recording of financial transactions (Repeat comment)**

*Finding:*

Financial transactions of the City were not always recorded in a timely manner. Certain revenues and expenditures (expenses) were recorded in the accounting records considerably later than when the revenue was received or the expenditure (expense) was incurred. When financial information is not recorded in a timely manner, the City loses its ability to adequately monitor financial activity.

*Recommendation:*

The City should establish policies and procedures to ensure that its financial transactions are recorded in a timely manner. These procedures could include monitoring of the detail records on a monthly basis by the Finance Committee. The Clerk should be responsible for recording the transactions while the Finance Committee could be responsible for the regular review of the detail records.

**Budget monitoring (Repeat comment)**

*Finding:*

Local units of government in Michigan are required to adopt a budget to control and monitor expenditures. The City has not established policies and procedures to demonstrate timely presentation and approval of budget amendments. As a result, the City incurred expenditures in excess of appropriations in several activities of the General Fund.

*Recommendation:*

The City should review the provisions of Public Act 621 of 1978 (the Budget Act) and the Budget Manual, prepared by the Local Audit Division of the Michigan Department of Treasury, to develop appropriate policies and procedures related to the monitoring of its budgetary compliance. The City should amend its budgets in a timely manner, when necessary. Appropriate management personnel should be involved in the budget development and monitoring processes to create a more meaningful management tool and obtain plausible explanations of significant variations in a timely manner.